

Public Policies

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MDI Director Scott Lakin will convene "stakeholder" hearings Oct. 29 and 31 for industry representatives and consumers to comment on insurance market conditions and the agency's regulatory role.

Lakin began holding the annual series of hearings last year to broaden consumer and industry input into his efforts to make MDI more responsive to the public's needs.

Industry representatives — including insurers, agents, brokers, TPAs and other licensees — are scheduled to testify from 1 to 4 p.m. Oct. 29 in Room 510, Truman State Office Building, Jefferson City. Consumer witnesses are encouraged to attend a hearing Oct 31 at the same time and same place.

Lakin to hold public hearing Oct. 30 doctors' malpractice insurance costs

Missouri Department of Insurance Director Scott B. Lakin is holding a public hearing Oct. 30 to examine why medical malpractice insurance rates for Missouri doctors are rising sharply despite market indicators to the contrary.

Lakin released MDI's annual medical malpractice insurance report, which shows that new claims against Missouri doctors dropped sharply in 2001 as did the percentage of premiums that insurers expect to pay to victims. Nevertheless, many doctors are facing premiums that often have doubled, particularly for riskier specialties, if they can find coverage at all.

"Gov. Bob Holden asked that I investigate these steep premium increases, particularly when claims and relative losses are dropping," Lakin said. "Since late spring, the department has been seeking ways to improve this situation, administratively or with legislative recommendations to the governor. Otherwise, patients will pay the price — through higher out-of-pocket charges, increased health insurance premiums or decreased access to quality care."

The hearing is scheduled at 1 p.m. Oct. 30 in Room 492, Truman State Office Building, Jefferson City. Lakin is inviting insurers, physicians, plaintiffs' attorneys and trade groups to testify on medical malpractice issues. Lakin said that, at the hearing, the MDI staff also will report on a comprehensive survey of insurers that also will provide more information on the industry's evaluation of the medical malpractice market and likely future trends.

Among the findings of the MDI 2001 annual medical malpractice insurance report:

- For 2001 claims against Missouri doctors, losses paid or incurred for future payments fell to 60.9 cents for each premium dollar, or the lowest level since 1995. Hospitals last year, however, experienced a spike in losses, with payouts reaching \$1.60 for each dollar of premium — compared to 8.7 cents the year before. Such wide swings have been common in the hospital market, but hospitals have not experienced the sizable cost increases faced by doctors.

- Claims last year against doctors fell by a substantial 37 percent, from 907 to 569. Claims against hospitals declined 4 percent — from 273 to 262.

- The number of companies writing coverage for doctors rose from 27 to 32 in 2001, which runs counter to the notion that the Missouri medical malpractice market is troubled. In the past month, medical malpractice insurance companies controlled by state doctors' associations in Wisconsin and Minnesota — both of which have considerable financial capacity to expand in Missouri — have applied for licenses to do business here, and MDI is expediting their applications.

- The average payout on successful claims against doctors fell from \$222,495 in 2000 to \$202,358 last year. That amount plummeted for claims against hospitals, falling from \$230,244 to \$143,990. These figures — and most

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**Comments or questions,
call 573-526-2946.**

Malpractice insurance cost

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other findings on closed claims – related to incidents several years ago; the average successful medical malpractice claim continues to take almost four years to close with payment.

- Of 191 claims closed with payment against doctors in 2001, the cases of 145 persons – or 76 percent – involved permanent injury or death.

- Of claims closed against doctors in 2001, economic-damage awards averaged \$118,441, or a drop of more than 8 percent from 129,195 the previous year. Missouri limited non-economic damages – often called “pain and suffering” awards – to a maximum of \$540,000 by law in 2001, but the actual awards averaged \$83,917. Non-economic damages actually fell by more than 10 percent from the average of \$93,300 in 2000.

Lakin noted Missouri law allows companies to calculate their rates on losses nationally, rather than just on experience with this state’s doctors and other health-care providers.

Missouri is almost unique because most states don’t compile data on how doctors fare in the medical malpractice market. Information on companies that write in Missouri show they had severe overall losses in other states last year. Nationwide, insurers active in Missouri paid or expect to pay out all the premiums they collected in 2001 for claims; in states like New Mexico, Pennsylvania, Illinois, Ohio, Mississippi, Arkansas, Georgia, Oregon, Connecticut, Maine, Washington and others, the projected claims payments far exceeded premiums.

Despite the brighter picture in Missouri, most leading insurers here for physicians and surgeons have filed major rate increases, more than doubling in one case, in the past two years.

Availability of coverage also has been affected by the withdrawal or insolvency of three major insurers, although losses in Missouri were not responsible. PHICO failed while Chicago Insurance Co. and St. Paul’s Fire and Marine withdrew; together, the three firms had more than 30 percent of all sales to doctors. But St. Paul, for example, paid or incurred losses totaling only 38 percent of its premiums in Missouri last year. The Insurance Services Office (ISO), which advises smaller companies on rate setting, has recommended reductions in rates for Missouri doctors four of the past five years, with no change in the remaining year.

Lakin and his staff have been meeting with doctors and professional groups since last spring on the increasing problems in obtaining affordable coverage.

He said he wants to avoid an overreaction that could cause long-term problems for the Missouri medical malpractice market, hospital, doctors and other providers. “For at least the past 15 years, the competitive market has served our health care providers well,” Lakin said. “We want to see if the problems are deeply imbedded or will work out in a competitive market. We want to preserve the principles that have helped professionals, facilities and their patients.”

(See *Malpractice insurance costs*, p. 3)

Personnel

Promotions

Joe Anne Rodgers, market conduct examiner-in-charge

Gloria Stegemann, consumer services specialist

Rebecca Varney, product analyst in P & C

Nicole Wilbers, clerk typist in surplus lines

New Hires

Jack Casper, market conduct examiner

James Clarke, financial examiner II

Kay Closson, planner I in managed care

Gary Libbert, clerk I in support services

Karen Niekamp, clerk typist II
in consumer services

Angela Nelson, product analyst in P&C

Retirements

Linda Nowakowski, licensing tech II

Tommy Thompson, market conduct examiner

Resignations

Michelle Muenks, auto analyst



Malpractice insurance cost
(continued from page 1)

Countrywide experience
Missouri-licensed medical malpractice insurers
(all lines)

State	Premiums earned	Incurred losses	Loss ratio
NE	\$16,270,747	\$5,079,003	31.22%
AL	\$108,607,213	\$34,797,047	32.04%
IN	\$52,990,050	\$19,084,601	36.02%
SD	\$6,870,012	\$2,559,680	37.26%
ND	\$6,682,679	\$2,891,827	43.27%
MI	\$128,754,157	\$62,114,702	48.24%
HI	\$14,611,403	\$8,186,558	56.03%
NH	\$9,481,266	\$5,364,134	56.58%
CO	\$35,964,862	\$20,381,049	56.67%
CA	\$423,566,628	\$245,532,402	57.97%
WI	\$34,667,948	\$21,020,085	60.63%
KS	\$39,582,163	\$25,711,152	64.96%
KY	\$72,220,318	\$48,909,314	67.72%
IA	\$30,901,190	\$24,384,813	78.91%
VA	\$70,185,384	\$56,707,837	80.80%
MO	\$97,027,591	\$79,038,068	81.46%
VT	\$2,990,817	\$2,617,935	87.53%
OK	\$17,347,798	\$15,252,533	87.92%
TX	\$224,165,659	\$201,485,780	89.88%
NJ	\$60,464,633	\$55,501,706	91.79%
RI	\$16,254,420	\$14,947,465	91.96%
TN	\$199,756,998	\$184,190,020	92.21%
WY	\$9,992,464	\$9,278,403	92.85%
MA	\$30,585,474	\$28,445,232	93.00%
AK	\$7,415,762	\$7,157,741	96.52%
SC	\$15,321,431	\$14,947,943	97.56%
WV	\$41,602,399	\$41,177,387	98.98%
MD	\$34,727,089	\$34,787,542	100.17%
NY	\$566,899,034	\$572,454,633	100.98%
CN	\$2,106,656	\$2,141,719	101.66%
ID	\$10,666,416	\$10,880,519	102.01%
FL	\$423,348,925	\$454,710,123	107.41%
MN	\$27,220,160	\$29,336,665	107.78%
AZ	\$53,598,239	\$59,561,306	111.13%
OH	\$278,312,428	\$317,496,418	114.08%
OR	\$33,848,841	\$41,386,597	122.27%
MT	\$9,214,785	\$11,836,991	128.46%
LA	\$14,703,149	\$19,153,347	130.27%
UT	\$11,997,044	\$15,669,322	130.61%
DC	\$11,077,926	\$15,106,316	136.36%
DE	\$10,514,098	\$14,410,824	137.06%
NC	\$86,782,647	\$121,310,177	139.79%
NV	\$41,116,056	\$58,769,123	142.93%
WA	\$33,835,051	\$48,527,484	143.42%
PA	\$122,012,313	\$176,482,368	144.64%
CT	\$48,461,826	\$75,769,434	156.35%
NM	\$25,019,119	\$43,131,030	172.39%
ME	\$8,128,158	\$14,352,041	176.57%
GA	\$72,562,724	\$129,383,475	178.31%
IL	\$147,023,059	\$271,024,217	184.34%
AR	\$33,928,869	\$63,065,798	185.88%
MS	\$30,643,667	\$70,257,626	229.27%
Totals	\$3,912,029,745	\$3,907,769,512	99.89%

Missouri ranks No. 32 in costs for insuring passenger cars, trucks

*Lakin cites competitive marketplace as primary reason;
projected savings reach \$300 million compared to national average*

Residents of 30 states and the District of Columbia on average paid more in 2000 to insure their autos than Missourians, according to a new national study.

With about 4 million passenger cars and trucks on the road in the state, Missourians save a projected \$300 million compared to the national average on insurance expenses. From 1996 to 2000, the average cost of insurance coverage for Missouri vehicles rose only 2.1 percent, or far less than the 9.7 percent increase in general inflation.

Missouri retained its No. 32 rank from 1999 for the average cost of passenger vehicle coverage in the latest report from the National Association of Insurance Commissioners. The association, based in Kansas City, includes all the state and territorial insurance directors, including Scott B. Lakin of Missouri.

“Missouri’s relatively low costs are testimony to the advantages that consumers enjoy when more than 240 insurers are competing for their auto insurance business,” Lakin said.

Missouri historically has relied on competition to keep rates low – rather than a system of state government rate-setting.

Overall, Missourians paid an average of \$611.73 to insure each vehicle in 2000 — \$75 or 10.9 percent less than the national mean of \$686.71.

The savings were similar for Missourians who carry full coverage – liability, comprehensive and collision – on their autos. They had average costs of \$709.59 in 2000, compared to the national average of \$785.80, and Missouri ranked No. 34.

For liability, which covers damages to other vehicles and persons in an accident, Missouri auto owners paid an average of \$331.36, versus \$397.58 nationwide. Missouri law requires car owners to carry policies with minimum benefits of \$25,000 for medical treatment per injured person, \$50,000 in medical treatment per accident and \$10,000 in property damage to others.

Most owners, however, carry more coverage to protect their assets, and MDI generally recommends these higher limits to safeguard drivers and victims of accidents.



Missourians shopping for better rates can view samples from high-volume insurers in dozens of localities at the MDI Internet site, www.insurance.state.mo.us, or by calling the MDI Consumer Hotline at 1-800-726-7390 and asking for a regional auto rate guide.



Regulatory Actions –

July, August & September 2002

Legal action - agents, agencies, brokers, companies

Timothy C. Burge, Gallatin, MO, license denied due to criminal record/history.

Michael D. Neumann, Hazelwood, MO, license revoked.

James S. Neumeier, St. Louis, MO, license revoked.

Mark B. Neumeier, Springfield, MO, license suspended.

LaTosha C. Skinner, Tulsa, OK, license denied for failure to respond and demonstrating lack of fitness or trustworthiness.

Alex M. Thomas, Kansas City, MO, license revoked.

California Compensation Insurance Co., San Francisco, CA, certificate of authority revoked.

Commercial Compensation Insurance Co., Rancho Cordova, CA, certificate of authority revoked.

Compicare Administrator, Inc., Muskogee, OK, certificate of authority suspended.

Connecticut Surety Co., Hartford, CT, certificate of authority revoked.

DBL Services, Inc., St. Louis, MO, certificate of authority suspended.

Frontier Insurance Co., Rock Hill, NY, certificate of authority revoked.

IOA Re, Insurance, Plymouth Meeting, PA, certificate of authority suspended.

Lake of the Ozarks Land Title Co., Osage Beach, MO, \$1,000 forfeiture for disbursing from escrow before deposit of funds.

Managedcomp, Inc., Woburn, MA, certificate of authority suspended.

Medi-Plan Management Corp. Ltd., Barberton, OH, certificate of authority suspended.

Merit Behavioral Care of California, Inc., Columbia, MD, certificate of authority suspended.

Netco Title Inc., St. Charles, MO, \$100 voluntary forfeiture.

PHICO Insurance Co., Harrisburgh, PA, certificate of authority revoked.

Star Administrative Services, Inc., Phoenix, AZ, certificate of authority suspended.

Superior National Insurance Co., San Francisco, CA, certificate of authority revoked.

Universe Life Insurance Co., Boise, ID, certificate of authority revoked.

Financial Exams

Bunceton Mutual Insurance Co., Bunceton, MO.

Caldwell County Mutual Insurance Co., Kingston, MO.

Cameron Central Mutual, Warrensburg, MO.

Capital Reserve Life Insurance Co., Jefferson City, MO.

Concordia FR Insurance Co., Concordia, MO.

Cornerstone National Insurance Co., Columbia, MO.

Community Mutual Insurance Co., Pocahontas, MO.

Farmers Insurance Co. of Macon, Macon, MO.

Farmers Insurance Co. of St. Francis County, Farmington, MO.

Farmers Mutual Insurance Co. of Jefferson County, Washington, MO.

Farmers Mutual Insurance Co. of St. Clair County, Osceola, MO.

Farmers Mutual Insurance Co. of Livingston City, Chillicothe, MO.

Farmers Mutual Insurance Co. of Marion County, Palmyra, MO.

Farmers Mutual Insurance Co. of Newton County, Monett, MO.

Farmers Mutual Insurance Co. of Ste. Genevieve County, St. Genevieve, MO.

Farmers Mutual Protective Ass. of Benton County, Lincoln, MO.

Healthy Alliance Life Insurance Co., St. Louis, MO.

HMO MO, Inc. d/b/a BlueChoice, St. Louis, MO.

Knox County Mutual Insurance Co., Edina, MO.

Lutheran Fire & Lighting Insurance Co., Pevely, MO.

Meramec Valley Mutual Insurance Co., Ditttruer, MO.

(See **Regulatory Actions**, p. 6)

Regulatory Actions

(continued from page 5)

Mid American Country Life, Jefferson City, MO.

Missouri Housing Authority P & C, Inc., St. Ann, MO.

Old Missouri Mutual Insurance Co., Buffalo, MO.

Phelps County Mutual Insurance, Rolla, MO.

Scott County Farmers Insurance Co., Sikeston, MO.

Triton Insurance Co., Fort Worth, TX.

Company Changes

ACE Guaranty Re Inc., New York, NY, was admitted with fidelity and surety authority.

Alexian Brothers Community Services, St. Louis, MO, withdrew as an HMO.

American Chiropractic Network, Inc., Minnetonka, MN, was licensed as a third party administrator (TPA).

American Contractors Indemnity Co., Los Angeles, CA, admitted with fidelity and surety authority.

American Public Life Insurance Co., Oklahoma City, OK, redomesticated from Mississippi to Oklahoma.

American Risk Funding Insurance Co., Dallas, TX, changed its name to *ACIG Insurance Co.*

A & S Adjusters Inc., Hazelwood, MO, admitted as a third party administrator (TPA).

Association of Trial Lawyers Assurance, Chicago, IL, withdrew its registration as a risk retention group.

California Compensation Insurance Co., San Francisco, CA, certificate of authority revoked.

Colonial Penn Franklin, Fort Washington, PA, changed its name to *GE Casualty Insurance Co.*

Colonial Penn Insurance, Fort Washington, PA, changed its name to *GE Property & Casualty Insurance Co.*

Compcare Administrators Inc., Muskogee, OK, admitted as a TPA.

Commercial Compensation Insurance Co., San Francisco, CA, certificate of authority revoked.

Connecticut Surety Co., Hartford, CT, certificate of authority revoked.

Consumers Insurance USA Inc., Murfreesboro, TN, was admitted with property and liability au-

thority.

Cooperative Benefit Administrators Inc., Arlington, VA, withdrew as a TPA.

Dealers Assurance Co., Upper Arlington, OH, added liability authority.

DBL Services Inc., St. Louis, MO, certificate of authority suspended as a TPA.

First American Property & Casualty Insurance Co., Santa Ana, CA, amended its certificate of authority by adding liability and miscellaneous authority.

Foundation Health Systems Life & Health Insurance Co., Woodland Hill, CA, changed its name to *Health Net Life Insurance Co.*

Fremont Compensation Insurance Co., Glendale, CA, merged with *Fremont Indemnity Co.*

Fremont Pacific Insurance Co., Glendale, CA, merged with *Fremont Indemnity Co.*

Frontier Insurance Co., Rock Hill, NY, certificate of authority revoked.

Fulcrum Insurance Co., Phoenix, AZ, changed its name to *General Security Indemnity Co. of Arizona.*

Gateway Mutual Insurance Co., Liberal, MO, added liability authority.

General Life Insurance Co., St. Louis, MO, merged with *General American Life Insurance Co.*

General Security National Insurance Co., New York, NY, changed its name to *SOREMA North America Reinsurance Co.*

Human Affairs International, Inc., Columbia, Maryland, changed its name to *Magellan Behavioral Health Systems LLC.*

Independent Mutual Fire Insurance Co., Brideview, IL, licensed with property authority.

Inter-State Assurance Co., Birmingham, AL, merged into *Protective Life Insurance Co.*

IOA Re Inc., Plymouth Mtg, PA, certificate of authority suspended as a TPA.

LifeUSA Insurance Co., Minneapolis, MN, merged into *Allianz Life Insurance Co. of North America.*

Managedcomp, Inc., Woburn, MA, certificate of authority as a TPA suspended.

Mapfre Reinsurance Corp., Florham Park, NJ, redomesticated from California to New Jersey.

MedAmerica Mutual Risk Retention Group Inc., Oakland, CA, withdrew as a risk retention group.

Medi-Plan Management Corp. Ltd., Barberton,

(See *Regulatory Actions*, p. 7)

Regulatory Actions

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OH, certificate of authority as a TPA suspended.

Merit Behavioral Care of California, Inc., Columbia, MO, certificate of authority as a TPA suspended.

Midwest Insurance Systems, LLC, Columbia, MO, was admitted as a TPA.

Motors Insurance Corporation, Southfield, MI, added fidelity and surety authority.

Non Profits Insurance Association, Minneapolis, MN, changed its name to *Nonprofits Insurance Co.*

Ohio Indemnity Co., Columbus, OH, added liability, fidelity, surety and miscellaneous authority.

Paid Prescriptions LLC, Franklin Lakes, NJ, changed its name to *Medco Health Prescription Solutions LLC*.

PHICO Insurance Co., Harrisburg, PA, certificate of authority revoked.

Platinum Safety and Claims Services LLC, Tyler, TX, withdrew as a TPA.

PreferredOne Administrative Services, Golden Valley, MN, was admitted as a TPA.

Property-Owners Insurance Co., Lansing, MI, was admitted with property and liability authority.

Professionals Direct Insurance Co., Grand Rapids, MI, admitted with liability authority.

Quorum Administrators, Inc., Wilmington, DE, was admitted as a Third Party Administrator (TPA).

Reinsurance Management Inc. dba Managed Health Funding Insurance Administrators, Jacksonville, FL, changed its name to *MHF Insurance Administrators Inc.*

Rock River Insurance Co., Stamford, CT, changed its name to *Arch Specialty Insurance Co.*

Safeco Insurance Co. of Indiana, Seattle, WA, amended its certificate of authority by deleting fidelity and surety authority and redomesticating from Pennsylvania to Indiana.

Star Administrative Services, Inc., Phoenix, AZ, certificate of authority as a TPA suspended.

Sumitomo Marine & Fire Insurance Co. of America, Warren, NJ, was admitted with property, liability, fidelity and surety and miscellaneous authority.

Superior National Insurance Co., San Francisco, CA, certificate of authority revoked.

(See *Regulatory Actions*, p. 8)

Lakin says state budget chief Long taking daily control of Transit receivership

Brian Long, Missouri's state budget director, took over daily operations of the Transit Casualty Co. receivership Sept. 3, Department of Insurance (MDI) Director Scott B. Lakin said.

Long, 42, will oversee the transfer of Transit's main offices from southern California to Missouri and then the final phase of its business operations as the insurance receivership's chief operating officer.

He assumes control from Burleigh Arnold, who retired July 31 after 14 years as special deputy liquidator of Transit, an international insurer for high-risk businesses that became insolvent in 1985.

Cole County Circuit Judge Byron Kinder approved the appointment.

Lakin said Long's exceptional performance in increasingly responsible positions in state government convinced him to make the offer. "I needed a proven manager I could trust in helping relocate and then close down this receivership – at one time the largest in the world. I worked with Brian for many years and know he'll do an outstanding job," Lakin said.

"Brian's recent work for Gov. Bob Holden during the state's most severe budget crisis in decades further assured me that he can close out this receivership as effectively and expeditiously as possible."

Long served as Missouri's associate commissioner for higher education from 1999 until he became state budget director early last year. From 1996 to 1999, he was assistant policy director for the late Gov. Mel Carnahan.

Long is working from Transit's offices in Jefferson City under the supervision of former state appellate Judge and Jackson County Prosecutor Albert A. Riederer, who serves as the new special deputy liquidator for Transit and General American Mutual Holding Co.

Transit's receivership and its original company headquarters were based in Los Angeles, but it had been organized under Missouri laws; a Missouri court and MDI consequently gained control after the insolvency. By mid-year, the receivership had raised and distributed \$948 million to creditors and policyholders, largely from reinsurance settlements.

Lakin, as state director of insurance, is the statutory receiver of Transit, but appoints a special deputy and other officials to administer its daily operations. Transit is among 15 insolvent insurance companies that MDI is either liquidating or rehabilitating.



Regulatory Actions

(continued from page 7)

Synergence Group Inc., Chicago, IL, was admitted as a TPA.

Underwriters Insurance Co., Madison, WI, changed its name to *Platte River Insurance Co.*

Universe Life Insurance Co., Boise, ID, certificate of authority revoked.

The Yasuda Fire & Marine Insurance Co. of America, New York, NY, changed its name to *Sompo Japan Insurance Co. of America*.

ZC Insurance Co., Fort Lee, NJ, changed its name to *Converium Insurance (North America) Inc.*

Zurich Reinsurance (North America), Inc., Stamford, CT, changed its name to *Converium Reinsurance North America, Inc.*



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